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NEWS RELEASE

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NATURAL GAS PRICES INCREASING THIS WINTER
Wholesale costs slightly higher than a year ago

FRANKFORT, Ky. (Oct. 30, 2007) – Kentuckians will be paying somewhat more for natural gas at the start of the 2007-2008 heating season than they paid a year ago, the Kentucky Public Service Commission (PSC) says.

“While any increase in natural gas prices is unwelcome, this one is relatively modest compared to some that we’ve had in recent years,” PSC Chairman Mark David Goss said. “There is an ample supply of gas available nationally and, absent any widespread and extreme cold weather, prices are expected to remain fairly stable through the heating season.”

This year marks a return to the trend of higher natural gas prices in the last five years, Goss noted. Natural gas was less expensive a year ago than in the fall of 2005, but that was only in comparison to the unprecedented high prices caused by disruptions in the wake of hurricanes Katrina and Rita, he said.

“Natural gas prices are not likely to decline substantially any time soon,” Goss said. “Consumers should begin each heating season with a plan for paying their energy bills and a strategy for reducing those bills through energy conservation.”

As always, weather will be the main factor in determining how much energy consumers use to heat their homes and thus the size of their heating bill, Goss said.

“If customers haven’t already done so, now is a good time to take measures to conserve energy,” Goss said. “Reducing consumption is the best defense against high energy bills.”

Wholesale costs, which account for the majority of natural gas bills during the heating season, are up slightly this year but have nearly doubled since 2002.

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By federal law, natural gas prices are not regulated at the wholesale level and fluctuate with supply and demand. Under Kentucky statute, gas companies are entitled to recover the wholesale cost of the gas delivered to customers, including the fees they pay to transport the gas by interstate pipeline to their retail distribution systems. Companies are not allowed to earn a profit on their gas costs. The companies' gas cost adjustments are reviewed by the PSC to make sure they accurately reflect the wholesale cost of gas.

About half of the natural gas used for winter heating is put into storage in the summer. In the past, this gas was less expensive and helped offset higher gas prices in the winter. Due to national demand for gas for electric generation, especially in the summer, that is no longer the case.

Kentucky's five major natural gas distribution companies expect their wholesale cost this November to be, on average, \$9.46 per 1,000 cubic feet (mcf). That is up 81 cents (9 percent) from an average of \$8.65 per mcf a year ago.

In November 2002 the average wholesale cost was \$4.90 per mcf.

The wholesale cost of natural gas accounts for about three-fourths of a typical consumer's winter bill. On average, a Kentucky customer using 10 mcf next month will pay a total monthly bill of \$128.43, up \$12.08 from the \$116.35 average bill a year ago.

That 10.4 percent average increase reflects the higher wholesale gas costs as well as the higher monthly customer charges resulting from recent base rate adjustments granted to three of the five major local natural gas distribution companies whose projected bills are used to calculate the statewide average.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Louisville Gas and Electric Co. and Duke Energy Kentucky Inc. Together, the five companies serve over 750,000 customers in Kentucky and deliver 176 billion cubic feet of gas annually.

About 44 percent of Kentuckians heat their homes with natural gas. Those who heat with propane (10 percent) and fuel oil (3 percent) also will pay more than a year ago.

Goss noted that many Kentuckians have difficulty paying their heating bills every winter. Information on heating assistance is available from utility companies and local community action agencies, but funds are limited and sometimes run out during the heating season, he said.

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“Look for help now if you think you may need it later,” Goss said. “Do not delay until the situation becomes a crisis.”

A briefing held today on natural gas prices will be available for viewing at a later time in the PSC’s video library at http://psc.ky.gov/agencies/psc/webcast/AV_Index.htm. A video of the briefing also will be available for download on the PSC’s FTP site <ftp://162.114.3.167/>.

The PSC is an independent agency attached for administrative purposes to the Department of Public Protection in the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the commonwealth of Kentucky and has approximately 110 employees.

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CONSUMER INFORMATION SHEET FOLLOWS

COPING WITH HIGH NATURAL GAS PRICES

Information for consumers

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of gas costs. They include:

Budget billing: This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

Energy conservation measures: Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

Energy audits: Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

Weatherization: Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weatherstripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Office of Energy Policy on the Web at:

<http://www.energy.ky.gov/dre3/>

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Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Health and Family Services. For information on weatherization assistance, go to:

<http://chfs.ky.gov/dcbs/dfs/Weatherization.htm>

Low-income consumers may qualify for assistance with their heating bills through the Low-Income Home Energy Assistance Program (LIHEAP). It is administered at the local level by community action agencies. Consumers who do not qualify for LIHEAP may be eligible for assistance through programs sponsored by their utility company or programs operated by local social service organizations. Consumers should contact their utility for more information. Information about LIHEAP is available on the Web at:

<http://chfs.ky.gov/dcbs/dfs/LIHEAP.htm>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>